

Outpatient Physical and Hand Therapy Bonus Plans that Work for You and Your Team

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TOPICS

- Bonus plans - pros and cons
- Bonus plan design
- Bonus plan examples and variations
- Implementation considerations

WHAT ARE WE TALKING ABOUT?

- Bonus plans that reward provider productivity
- Outpatient physical and hand therapy
- Primarily orthopaedic but can be used for other types of practices

BONUS PLAN-PROS AND CONS

➤ Pros

- Retention-reward providers who are putting in extra effort
- Allows for compensation differences based on economics
- Incentivize providers on lower end of productivity scale to make changes
- Assist by incentivizing understanding of relatively complicated charge capture process
- Can facilitate reducing or eliminating COL increases

PRO AND CONS

- Cons (including perceived cons)
 - Could encourage unnecessary treatment (rare)
 - Might result in inadequate time for documentation or incomplete/non-compliant documentation
 - Might encourage noncompliance with MC and other payer rules
 - Not a substitute for other retention efforts

Not a “silver bullet” that solves all issues

➤ Also need to address:

- Clinical skills
- Charging for all treatment time
- Scheduling
- Authorizations
- Tech utilization
- Reducing cx/ns rate
- Streamlining documentation
- Co-pay collection
- Productivity tracking/benchmarking

DESIGNING THE BONUS PLAN-BONUS FACTORS

➤ Productivity?

- Individual provider productivity relatively easy to objectively measure
 - Can use payments, wRVUs, procedures
 - Do not recommend using visits because visits can increase while procedures/visit decrease=no real gain

➤ Cancellation rate?

- Indirectly covered by productivity (providers generally have higher productivity if cx/ns rate low or double book)

BONUS FACTORS

- Patient/physician satisfaction?
 - Difficult to reliably measure distinctions in patient and physician satisfaction
 - Indirectly covered by productivity (provider with low patient/physician satisfaction unlikely to be very productive)

- Compliant documentation?
 - Should be a condition of employment, not bonus
 - However, loss of bonus can be part of a corrective action plan for poor documentation

GROUP V INDIVIDUAL BONUS?

- Group bonus good in theory but not practice
- Individual provider productivity varies significantly
- Group bonus does not recognize providers who put in extra effort and does not incentivize others to change-can be frustrating
- Group bonus relies on group dynamics which are difficult to change/maintain
- Individual bonus much more likely to be effective
- Individual bonus similar to common long-standing (and effective) physician compensation system

SIMPLE-SIMPLE-SIMPLE

- Bonus formula should be as simple as possible
 - Providers should be focused on delivering excellent care and appropriately charging for all of their treatment time
 - Focus should not be on meeting 4+ bonus factors
 - Understandable formula=higher impact
 - Should be able to explain in 1 sentence

PAYMENT FREQUENCY

- Recommend monthly because it provides most immediate feedback/reinforcement
- Quarterly helps avoid charge/payment timing issues that sometimes occur on a monthly basis; but timing issues can be avoided by doing YTD cumulative calculation (as explained below)
- If you are trying to rapidly increase productivity, start monthly with option to later pay quarterly
- Semi-annual or annual payments are too infrequent to make much of an impact

RECOMMENDED BONUS FORMULA

- Each provider receives % of payments for his/her services in excess of bonus base. For example:
 - Each therapist receives 15% of amount by which his/her monthly payments exceed \$15,000 bonus base
 - Each PTA/COTA receives 10% of monthly payments over \$15,000 bonus base
 - For example, if a therapist's monthly payments are \$20,000, payments exceed bonus base by \$5,000 and bonus is 15% of that amount, or \$750

RECOMMENDED BONUS FORMULA

- Recommended bonus percentages
 - Therapists 15%
 - Licensed assistants 10%
 - Therapist to assistant bonus % ratio similar to base comp difference
 - Therapist higher than assistant because
 - Therapist has supervision responsibilities
 - Therapist has more training/skills
 - Therapists are generally more difficult to hire
 - Recommendation of 15%/10% not “set in stone”

SETTING THE BONUS BASE

- Bonus base is the \$15,000 threshold in this example
- Setting the appropriate bonus base is the most difficult step in developing this formula
- STEP 1-Ensure bonus base is high enough to cover expenses per FTE provider, so bonuses are only paid from income
 - For example, if average monthly PT/OT expenses are \$80,000 and you have 5.5 FTE providers, expenses/FTE average \$14,560 ($\$80,000/5.5$), so FTE bonus base should be no less than \$14,560)

SETTING THE BONUS BASE

- STEP 2-Ensure bonus base represents a reasonable productivity expectation (do not set the bar too high or low)
 - We measure productivity by charged procedures per provider work hour (regular/overtime hours, not PTO, holiday, CME hours)
 - Vast majority of payers still pay by procedure-so more procedures=more revenue
 - Expenses are closely related to provider work hours
 - Higher procedures/work hour leads to higher profits
 - Procedures are weighted to recognize variations in time/effort
 - Each timed procedure=1 weighted procedure (WP)
 - Initial evals/custom orthotics=3 WP
 - Modalities=0.5 WP

SETTING THE BONUS BASE

➤ STEP 2 continued

- We typically use 4.0 WPs/hour or about that for the base level
- Can reduce to e.g., 3.8 if Medicare population is higher than 40%
- Can increase to e.g., 4.2 if Medicare population is less than 20%
- Calculation example-if base productivity expectation is 4.0 WPs/hour and payments average \$25/WP, a provider's monthly payments should total \$15,600 ($4 \text{ WPs/hour} * \$25/\text{WP} * 156 \text{ average work hours/month}$) before bonus payments are made
- Can round up or down

SETTING THE BONUS BASE

➤ Provider work hours

- Used for calculating provider productivity and bonus base
- Includes regular and overtime hours
- Does not include PTO, holiday, CME, sick time or other hours that are paid for but not in clinic
- Work hours include blocked documentation time and miscellaneous non-clinic time (e.g., 1-2 meeting hours/month)
- Allow some admin time for location leads (45 minutes/week/supervised FTE provider)

SETTING THE BONUS BASE

➤ Provider work hours

- For determining the bonus base, we use average monthly work hours
- Example-Determination of average monthly work hours
 - Total FTE hours/year=2,080
 - Less 120 PTO hours (15 PTO days x 8 hours/day)
 - Less 72 holiday hours (9 holidays x 8 hours/day)
 - Less 16 CME hours (2 CME days x 8 hours/day)
 - Net is 1,872/year and 156/month
- Use 156/month for calculating bonus base to allow for time off and avoid adjusting bonus base/provider each month for PTO time

PART-TIME PROVIDERS

- Prorate for part-time providers
- For example
 - Provider who works 75% time should have a bonus base equal to 75% of FTE bonus base
 - If FTE bonus base is \$15,000, .75 FTE should have a \$11,250 (75% of \$15K)
- Do not adjust bonus base on a monthly basis for PTO time because bonus base should already allow for PTO time

SAMPLE PLAN-BASIC TERMS

Therapists. Therapists will be entitled to a monthly bonus equal to 15% of payments for their therapy services in excess of a bonus base of \$15,000. For example, if your monthly payments are \$20,000, you will be entitled to a bonus of \$750 (i.e., $15\% * [\$20,000 - \$15,000]$).

Assistants. Assistants will be entitled to a monthly bonus equal to 10% of payments for their therapy services in excess of \$15,000. For example, if your monthly payments are \$20,000, you will be entitled to a bonus of \$500 (i.e., $10\% * [\$20,000 - \$15,000]$).

Part-Time. If you are a part-time provider, your bonus base amount will be pro-rated as a percentage of full-time. For example, if you work 75% time, your bonus base will be 75% of \$15,000, or \$11,250. A therapist working 75% of full time will receive 15% of monthly payments in excess of \$11,250 and an assistant working 75% of full time will receive 10% of payments in excess of \$11,250.

BONUS FORMULA VARIATIONS

➤ Cumulative calculation

- Alternative to calculating monthly bonus independent of all other months
- Cumulative calculation-bonus only payable to extent YTD payments exceed YTD bonus base
- Avoids employer getting “whipsawed” by large variations in monthly payments

Non-Cumulative	Jan	Feb	Mar	Apr	May	Total
Monthly Payments	15,000	17,500	15,000	18,000	16,000	81,500
Bonus Base	16,000	16,000	16,000	16,000	16,000	80,000
Excess	0	1,500	0	2,000	0	
Bonus @ 15%	0	225	0	300	0	525
Cumulative	Jan	Feb	Mar	Apr	May	Total
Monthly Payments	15,000	17,500	15,000	18,000	16,000	81,500
YTD Payments	15,000	32,500	47,500	65,500	81,500	
YTD Bonus Base	16,000	32,000	48,000	64,000	80,000	80,000
YTD Excess	0	500	0	1,500	1,500	
YTD Bonus @ 15%	0	75	0	225	225	
Previously Paid Bonus	0	0	75	75	300	
Monthly Bonus	0	75	0	150	0	225

SAMPLE PLAN-CUMULATIVE CALCULATION OPTION

Determination of Payments. Your monthly payments will be determined on a cumulative basis, so that if you are under your bonus base for a month, you will need to make up that shortfall in later months. For example, if you have a \$15,000 bonus base and your payments during January are \$14,000, you will need to make up January's \$1,000 shortfall during February or a later month before you receive a bonus. So, if your February payments are \$18,000, \$1,000 of that \$18,000 will go to the January shortfall, the \$17,000 balance will be used for your February bonus calculation and your February bonus (as a therapist) will be 15% of \$2,000, or \$300.

BONUS FORMULA VARIATIONS

➤ Payer mix variation

- If payment rates regularly and significantly vary between providers due to a variation in patient mix, use average payment/WP for all providers
- Calculate monthly and cumulative payments by multiplying each provider's monthly WPs by average YTD payments/WP
- For example, if Jan-May payments average \$28/WP and a therapist has 700 WPs in May, that therapist's May payments will be \$19,600 (700 WPs * \$28/WP)

SAMPLE PLAN-USING AVERAGE PAYMENTS/WP

Determination of Payments. To account for the variation in payment rates between PT patients, [practice name] will use average YTD PT payments per weighted procedure multiplied by a provider's weighted procedures to determine each provider's payments for that month; however, for January and February payments, [practice name] will use the average payment/procedure for the month of the bonus calculation and the 2 prior months.

BONUS FORMULA VARIATIONS

➤ Hospital Outpatient

- Payment reports may be hard to obtain
- Could calculate bonus by assuming payment of e.g., \$30/WP

IMPLEMENTATION VARIATIONS

- Temporary “reduction” of bonus base to account for initially low productivity
- Allows providers to start receiving small bonus payments even though productivity may be low as compared to national averages

SAMPLE PLAN-TEMPORARY REDUCTION OF BONUS BASE

Temporary Reduction of Bonus Base. To facilitate implementation of the bonus plan, the \$15,000 bonus base and 15%/10% bonus percentages will be temporarily reduced according the following schedule:

<i>Period</i>	<i>Bonus Base</i>	<i>Therapists Bonus %</i>	<i>Assistant Bonus %</i>
2022	\$13,000	13%	8%
2023	\$14,000	14%	9%
2024-	<i>Fully implemented</i>		

BONUS CAPS

- Good idea at least for the first couple years
- Monthly maximum bonus (e.g., \$1,000 for therapists, \$600 for assistants) with carryforward of unused maximum
- Consider waiving or increasing cap, but do YTD cumulative calculation to avoid getting whipsawed
- Can increase cap for meeting specific goals (e.g., at least 10 evals/week)

SAMPLE PLAN-MONTHLY CAP

Maximum Bonus. *The maximum monthly bonus will be \$1,000 for therapists and \$600 for assistants, prorated for providers who work and are paid on a part-time basis.*

Maximum Bonus. *The maximum monthly bonus will be \$1,000 for therapists and \$600 for assistants, prorated for providers who work and are paid on a part-time basis; provided, however, the maximum monthly bonus for a therapist who averages at least 10 initial evaluations per 40-hour week will be \$1,250.*

HAND THERAPY

- Productivity threshold typically less than PT
 - Recommend 3.5 WPs/hour as base
- If based on revenue, need to account for custom orthotics
 - Hand therapists can generate more revenue at lower WPs/hour due to custom orthotics
 - Sometimes set a fixed amount of assumed revenue per orthotic (e.g., \$100)
 - If custom orthotics included at collection rate, may want to use PT formula

PT/OT SUPPORT STAFF

- Any provider with a schedule should be eligible (therapists and PTAs/COTAs)
- Front desk
 - Can PT front desk be compensated on a different basis than other front desk staff?
 - Factors are relatively subjective (e.g., patient satisfaction, scheduling skills, efficient authorization process) and therefore difficult to bonus
- Techs-Generally difficult to objectively measure productivity

Rehab Director/Locations Leads

- Individual Productivity-Director/leads should be eligible for individual provider bonus
 - Optional reduction in bonus base for admin time (e.g., if 3 hours/week allocated to admin time, director's bonus base can be 37/40 of regular FTE bonus base; $37/40 \times \$15K = \$13,875$)
 - Recommended formula for admin time-.75 hours/week/FTE staff provider (calculate FTE providers by dividing total monthly regular/OT hours by 156)
 - Generally, avoid adjusting bonus base for varying admin time

Rehab Director/Locations Leads

➤ Recommended bonus formula

- Director bonus equal to average bonus paid to supervised providers. Formula is total productivity bonuses payable to supervised providers, divided by the number of supervised FTE providers.
- To recognize the additional responsibilities of directors who work at larger sites, directors paid full amount of this bonus if they supervise 5 FTE providers and this amount is prorated up or down if the number of supervised FTE providers is higher or lower than 5.

Rehab Director/Location Leads

- For example, if a director supervises 4 FTE providers and the total bonus amount payable to these providers for a month is \$1,000, the average bonus per FTE is \$250, but because this director is supervising less than 5 FTE providers, this amount will be prorated to $\frac{4}{5}$ of the \$250, and the director is paid \$200 for group productivity
- If the director supervises 10 FTE providers and the total bonus amount payable to these providers for a month is \$2,500, the average bonus per FTE is \$250, but because the director is supervising more than 5 FTE providers, this amount is prorated to $\frac{10}{5}$ of the \$250, and the director is paid \$500 for group productivity.
- Typically, subject to a maximum of \$500-1,000/month

SAMPLE PLAN-PT/OT DIRECTOR OR LOCATION LEAD

In addition to the individual productivity bonus that you are entitled to on the same basis as the other therapists, you will also be entitled to the following bonus based on the productivity of the staff providers who you supervise.

You will be entitled to a monthly bonus based on the productivity of staff providers that you supervise. This bonus will be equal to the average monthly bonus paid to a full-time staff provider (adjusted for the number of providers that you supervise). More specifically, you will be paid a monthly bonus equal to the total productivity bonuses payable to the providers that you supervise, divided by the number of FTE providers. To recognize the additional responsibilities of supervising a higher number of providers, you will be paid the full amount of this bonus if you supervise 5 FTE providers, and this amount will be prorated up or down if the number of supervised FTE providers is higher or lower than 5. (The number of FTE providers will be determined by dividing total monthly regular and overtime hours for all staff providers by 156.)

For example, if you supervise 4 FTE providers and the total bonus amount payable to these providers for a month is \$1,800, the average bonus per FTE is \$450. However, because you are supervising less than 5 FTE providers, this amount will be prorated to $\frac{4}{5}$ of the \$450, and you will be paid \$360 for group productivity.

SAMPLE PLANS-STANDARD TERMS

Bonuses are subject to the following conditions:

- Any bonus estimate provided to a participant is based on assumptions as to payment rates and other factors and is not a guaranty that the participant will receive the estimated bonus*
- Treatment must always be appropriate*
- Documentation must adequately support the treatment and be completed on a timely basis*
- The bonus base will be increased for any increase in annual PT/OT expenses*
- Employment termination options:*
 - A provider will not be entitled to receive any bonus that is paid after the termination of his or her employment*
 - A provider will not be entitled to receive any bonus for any partial month in which his or her employment terminates for any reason*
 - A provider will not be entitled to receive any bonus that is paid after employment termination if he or she does not provide the required notice of employment termination*
- [Practice Name] reserves the right to terminate or modify this bonus plan at any time*

ROLL OUT OF NEW BONUS PLAN

- Introductory meeting in person or remote
- Distribute written plan
- Distribute FAQs
 - Plan terms
 - Detailed explanation
 - Examples
- Update FAQs to address ongoing questions

ONGOING BONUS CALCULATION

- Can use Excel to calculate monthly (or quarterly) bonus for each provider
- Anyone with even a moderate amount of Excel training can set up the bonus calculation
- Each provider should have a separate worksheet so that he/she can be sent calculation throughout the year

BONUS CALCULATION SPREADSHEET

Provider Name	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Total
Monthly Payments	\$13,753	\$17,185	\$20,454	\$22,081	\$19,665	\$93,139
YTD Payments	\$13,753	\$30,939	\$51,393	\$73,474	\$93,139	
Monthly Bonus Base	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$75,000
YTD Bonus Base	\$15,000	\$30,000	\$45,000	\$60,000	\$75,000	
YTD Payments over YTD Bonus Base	\$0	\$939	\$6,393	\$13,474	\$18,139	
Bonus %	15%	15%	15%	15%	15%	
YTD Bonus	\$0	\$141	\$959	\$2,021	\$2,721	
Bonus Paid for Prior Months	\$0	\$0	\$141	\$959	\$2,021	
Bonus Payable	\$0	\$141	\$818	\$1,062	\$700	\$2,721

Recruiting with a Bonus Plan

- Challenging to “get credit” for bonus
 - Candidate may have been eligible for a rarely paid bonus
 - Understandably prefer higher base comp
- Can guaranty minimum bonus, e.g.,
 - Base comp=\$80K
 - Minimum bonus=\$2,400/year or \$200/month
 - So, guaranteed to earn at least \$82,400
 - Year one or continuing indefinitely?

Bonus Estimate for Recruiting

Visits/Day	9	10	11	12
Monthly Visits	189	210	231	252
Average Payment/Visit	\$90	\$90	\$90	\$90
Monthly Payments	\$17,010	\$18,900	\$20,790	\$22,680
Bonus Base	\$15,000	\$15,000	\$15,000	\$15,000
Payments Less Bonus Base	\$2,010	\$3,900	\$5,790	\$7,680
Bonus %	15%	15%	15%	15%
Bonus	\$302	\$585	\$869	\$1,152

TRANSPARENCY/TRANSPARENCY/TRANSPARENCY

- Bonus is truly effective only if thoroughly understood
- Share bonus plan with each new provider
- Explain bonus plan to each new provider
- Invite and answer questions on plan
- Share monthly (quarterly) bonus calculation
- Share data that bonus based on
- Invite and answer questions on calculation

TESTING

- Always [repeat always] test plan against real numbers
 - Calculate bonus each provider would have received if bonus had been in place for at least 12 months prior to current date

QUESTIONS

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